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IN THE

Supreme Court of the United States

OCTOBER TERM, 1980

No. 79-1771

TRIO PROCESS CORP., *et al.*,
Petitioners,

v.

L. GOLDSTEIN'S SONS, INC., *et al.*,
Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

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QUESTIONS PRESENTED

1. Does a Court of Appeals in a federal jurisdiction lawsuit have the authority to make its own set of factual findings which, in the words of the dissenter in this case, "flies in the face" of the District Court's meticulously-reached decision as to the key facts that determine the amount of damages in the case?

2. Is it a violation of Federal Rules of Civil Procedure 52(a) and 53(e)(2) for a Court of Appeals in a 15-year-old lawsuit to set aside a District Court's findings of fact as to damages without concluding that those findings are clearly erroneous and to substitute for them the appellate court's own findings of fact, particularly where (a) a Master made the original factual findings after observing the key witnesses over an extended period of time, and his findings were adopted by the District Court; (b) proceeding upon these findings, the District Court followed a theory of damages which had previously been approved by the appellate court but which was later ignored by a new panel of the same court, and (c) the net result was to reduce drastically the amount of damages owed to the owner of a valid patent by a willful infringer of that patent?

LIST OF PARTIES

Petitioners are Trio Process Corporation of Elkins Park, Pennsylvania ("Trio Process") and Franklin Smelting & Refining Company of Philadelphia, Pennsylvania, a partnership ("Franklin"). Although Franklin's name has appeared consistently in the case and therefore is listed as a petitioner, it was actually severed from the case by order of the District Court in 1966. Therefore, this petition shall hereafter refer to "petitioner," meaning Trio Process.

Respondents are L. Goldstein's Sons, Inc. ("Goldstein's") and Metal Bank of America, Inc. ("Metal Bank"), both of Philadelphia, Pennsylvania. Goldstein's however, has been dissolved as a company, and Metal Bank, as the successor company to Goldstein's, was added as a party defendant by order of the District Court (App. E, pp. 59a-61a; App. A, p. 2a). Therefore, this petition shall hereafter refer to "respondent," meaning Metal Bank.

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OPINIONS BELOW

The Findings of Fact and Conclusions of Law of the United States District Court for the Eastern District of Pennsylvania dated January 27, 1971, finding the patent invalid but willfully infringed if valid, are unreported and appear herein as Appendix A, p. 1a.

The opinion of the United States Court of Appeals for the Third Circuit of May 22, 1972 ("*Trio Process* I"), reversing the District Court's holding of patent invalidity, affirming its finding of willful infringement, and remanding for a determination of damages, is reported at 461 F.2d 66, *cert. denied*, 409 U.S. 997 (1972), and appears herein as Appendix B, p. 16a.

The Memorandum and Order of the District Court of July 17, 1973, holding respondent in contempt for continued infringement, is unreported and appears herein as Appendix C, p. 34a.

The Judgment Order of the Court of Appeals of March 12, 1974 ("*Trio Process* II"), affirming the District Court's contempt order, is reported at 493 F.2d 1401 and appears herein as Appendix D, p. 40a.

The Opinion and Order of the District Court of April 18, 1975, on motion to confirm the Master's report on damages, is unreported and appears herein as Appendix E, p. 42a.

The first decision of the Court of Appeals on damages, rendered April 23, 1976 ("*Trio Process* III"), is reported at 533 F.2d 126 and appears herein as Appendix F, p. 66a.

The opinion of the District Court of September 22, 1978, fixing damages on remand, is reported at 612 F.2d 1364 as an appendix to a dissenting opinion in a Court of Appeals decision and appears herein as Appendix G, p. 77a.

The opinion and judgment of the Court of Appeals of January 2, 1980 ("*Trio Process* IV"), vacating the District Court's award of damages and fixing the royalty to be used as the basis of damages, are reported at 612 F.2d 1353 and appear herein as Appendix H, p. 85a. It is this opinion as to which certiorari is sought.

The order of the Court of Appeals dated January 16, 1980, granting petitioner a seven-day extension in which to file a petition for rehearing, is unreported and appears herein as Appendix I, p. 109a.

The denial of a timely petition for rehearing by the Court of Appeals dated February 6, 1980, is unreported and appears herein as Appendix J, p. 110a.

The order of the Court of Appeals dated February 11, 1980, amending the order denying the petition for rehearing, is unreported and appears herein as Appendix K, p. 111a.

JURISDICTION

The judgment of the Third Circuit Court of Appeals as to which certiorari is sought (*Trio Process* IV) was entered on January 2, 1980 (App. H, p. 85a). The court extended by seven days the time within which petitioner could file a petition for rehearing (App. I, p. 109a). The petition for rehearing was timely filed on January 23, 1980 and was denied by an order dated February 6, 1980 (App. J, p. 110a). Said order was amended by the court on February 11, 1980 to show that at least two non-sitting judges dissented from the denial (App. K, p. 111a). The instant petition is being filed within ninety days of February 6, 1980, the date of the denial of the petition for rehearing prior to its amendment. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254 (1).

CONSTITUTIONAL AND STATUTORY PROVISIONS AND RULES INVOLVED

Article I, Section VIII, Clause 8 of the United States Constitution, 35 U.S.C. § 284, and Rules 52(a) and 53 (e) (2) of the Federal Rules of Civil Procedure are set forth herein as Appendix L, p. 112a.

STATEMENT OF THE CASE

This case presents an important question in regard to the increasing tendency of Courts of Appeals to take from fact finders the issue of damages and to decide such issues for themselves. The case, as the dissent of Judge Aldisert points out, is almost a classic instance of this developing trend, for in his words, the majority below

"* * * invaded the district courtroom and set [itself] up as a rump fact-finding authority. * * * [T]he majority * * * tossed the Anglo-American tradition of appellate review to the four winds" (App. H, p. 103a).

The context of the issue presented is a patent infringement suit that has been in progress for fifteen years.[1] The first seven years were taken up with the questions of validity and infringement. Those questions were finally resolved and are not before this Court. It was clearly established in 1972 that petitioner's patent was valid and that respondent had willfully infringed it.[2] The sole issue after 1972 remained that of damages.[3]

In 1973 the District Court appointed a Master, chosen with the concurrence of the parties, to compute the amount of damages. The proceedings before the Master, a respected patent attorney, lasted over a year and produced more than 3400 pages of testimony (see App. E, p. 43a). His report included 73 enumerated findings of fact. He calculated damages which, when trebled and with interest, would have exceeded $5,062,054 (*id.*).

In 1975 the District Court agreed with and adopted the Master's findings of fact in a comprehensive opinion which discussed the underlying facts in detail (App. E, pp. 42a-64a). The court focused upon the losses suffered by petitioner (as opposed to the profits illegally made by respondent), and found, as the Master also had found, that the royalty rate that petitioner would normally

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[1] The suit was brought under 35 U.S.C. §§ 281, 284 and 28 U.S.C. § 1400.

[2] *Trio Process* I (App. B, p. 16a). The patent in question teaches and claims a process of removing organic insulation from scrap wire.

[3] As a corollary matter, respondent was found in 1973 to be in contempt of the District Court's injunction against further infringement of the patent (App. C, p. 34a). The finding of contempt was affirmed on appeal. *Trio Process* II (App. D, p. 40a).

charge had not been reflected in its prior licenses because those licenses had deliberately been set at a low rate in order to establish the patented process. The court also concluded that some of the prior license rates would have tended to be depressed by respondent's ongoing open infringement. However, since the court interpreted the statute's reasonable royalty to embrace two different figures, lower than the Master's, and the court used a lower multiplier than the Master had, the total damages assessed by the court were $1,726,525 (*id.* at pp. 64a, 65a).

In the following year, in *Trio Process* III, the Court of Appeals approved of the District Court's focusing upon petitioner's losses. It also found that:

> *The district court did not act improperly in ascertaining that the license rate established by Trio in the 1960's may have been artificially depressed by Goldstein's ongoing infringement, and that the reasonable royalty should therefore be set at a level above the actual license rate.* As one court has accurately observed, "[i]t is a fact of economic life that an open infringement tends to reduce a patentee's fees from its subsequent licensees who must meet the infringer's competition, and such infringement deters potential licensees from taking a license." [App. F, p. 73a; emphasis added; footnote deleted.]

However, the Court of Appeals found error in two respects—only one of which is relevant here, since the other was subsequently cured to the satisfaction of the Court of Appeals. The appellate court said it could find "no description of the manner in which the royalty rate was affected by the evidence proffered by the parties * * *. In the absence of such an articulation, we cannot know the specific method of the district court's determination of the reasonable royalty. For this reason, we must remand" (*id.* at p. 74a).

In other words, the appellate court found no error—and in fact implicitly approved—the District Court's recognition that respondent's ongoing open infringement could well have had a depressing effect upon petitioner's royalties (or license rates) obtained in 1965-1972, but it invited the District Court to spell out what the "reasonable royalty" was, as assured by the governing statute, 35 U.S.C. § 284 (App. L, p. 112a).

On remand, Judge Fullam gave careful heed to the instructions of the Court of Appeals.[4] He said that his task, insofar as relevant here, was to "explain how the [reasonable royalty] figure chosen is related to the submitted evidence analyzed in terms of the factors that can affect the reasonable royalty rate" (App. G, p. 77a).[5] After stating the factors from the *Georgia-Pacific* list[6] that had the most significance in this case, the judge set about to make the findings and state his reasoning that the Court of Appeals had found wanting in *Trio Process* III. He first specifically readopted the factual findings of the Master, since the judge determined that those findings were not clearly erroneous. He then discussed the first two relevant factors, finding that one tended to indicate a somewhat lower license fee than the maximum available, but that the other had the opposite effect. Turning to the remaining factors, he found:

> [T]he Court finds that the license fee the parties would have agreed upon absent defendant's infringe-

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[4] As Judge Aldisert put it, Judge Fullam "conscientiously respected the letter and spirit of this court's 1976 mandate [in *Trio Process* III]" (App. H, p. 103a).

[5] Judge Fullam also noted that he was "* * * mindful of the Third Circuit's admonition that deviation of the reasonable royalty from existing license fees must be based on the evidence" (App. G, p. 79a n.2).

[6] *Georgia-Pacific Corp.* v. *United States Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970), *modified*, 446 F.2d 295 (2d Cir.), *cert. denied*, 404 U.S. 870 (1971); *cf.* App. F, p. 74a n.17.

> ment would to a large extent have been determined by the economic benefits that were obtained through the use of plaintiff's patented process. * * *
>
> Defendant obtained the following benefits from using plaintiff's process to remove insulation from scrap wire: (a) a reduction in labor costs; (b) an increased recovery of copper from the scrap wire; (c) lower fuel consumption per ton of processed material; and (d) the ability to attract more electrical scrap for processing by advertising the advantages of plaintiff's process. It should be noted that defendant was clearly aware of these benefits when it commenced infringement of plaintiff's patent since it had previously used plaintiff's process under two properly purchased licenses. Thus, if defendant had negotiated for additional licenses instead of infringing plaintiff's patent, defendant would have been willing to pay substantially more than it had paid for the initial licenses since the process had proven its worth and the defendant would have assumed little or no risk in purchasing the additional licenses. [App. G, pp. 80a-81a.]

Significantly, the judge pointed out that the reason he could not assign a specific dollar value to *each* of the benefits obtained by respondent was due to the condition of the *respondent's* records. "In fact, largely because of the condition of [respondent's] records, the only dollar figure available is the value of the direct and indirect labor savings achieved by [respondent]" (*id.* at p. 81a; *cf.* App. E, p. 53a n.9).

Taking the figures available, Judge Fullam precisely explained the reasoning behind his treatment of them, and set forth in a detailed table his calculation of damages. The final figure was $2,901,336 (App. G, p. 84a).[7]

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[7] This figure was larger than the one in his prior decision because, as required by the Court of Appeals, he had to apply a single royalty rate (based upon judicial approval of the patent) throughout the

In the opinion as to which review is sought here (*Trio Process* IV, App. H, p. 85a), the Court of Appeals not only reversed this new determination of damages but itself decided what it thought the reasonable royalty rate would have been for each year of infringement. This figure—$2,600 per furnace year of infringement—had appeared nowhere in the Master's or the District Court's findings as the reasonable royalty rate, and it was based upon an entirely new theory, even though the theory used by the District Court had been approved and in fact mandated in *Trio Process* III.

Without concluding that the District Court's findings were clearly erroneous, as required by Federal Rule of Civil Procedure 52(a), the Court of Appeals nevertheless overruled them (App. H, pp. 93a-100a). The appellate court considered one factor only: it looked at the various licenses which petitioner had negotiated with respondent and others, and even though these were for varying amounts, it concluded that $2600 was the reasonable royalty—the figure that petitioner and respondent would have reached in free and open negotiations.[8] It remanded solely for a mathematical calculation by the District Court of damages at this rate (*id.*, pp. 100a-101a). The result will be total damages of approximately $500,000—or one-sixth of what the District Court awarded.

Judge Aldisert dissented because he could find "neither reason nor empowerment" for the majority's action. The

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entire period of infringement rather than a lesser rate during the early infringement period, as he had done in his earlier opinion.

[8] The Master found specifically to the contrary, and his finding was adopted by the District Court:

> 63. The transactions which plaintiff has entered into involving or including a license right under the [instant] patent are not representative in amount of the reasonable royalty value applicable to the patented invention. [Record before the Court of Appeals at 1052a.]

majority "have simply found the facts that are to their liking" (*id.* at p. 103a). His disagreement, he said, arose from "a fundamental philosophical difference about the role of the United States Court of Appeals *vis a vis* the United States District Court" (*id.*). The majority had not reached a legal conclusion but had made a finding of fact—a finding that "* * * flies in the face of Judge Fullam's meticulous discussion of the economic benefits obtained by the [respondent]" (*id.* at p. 105a).

Most importantly, Judge Aldisert concluded that "[t]oday's decision, in particular, constitutes a dangerous extension of a line of cases that I believe were wrongly decided because they tampered with fact-finding othodoxy," citing by way of example two previous cases rendered by the same Circuit. Doubt as to whether the trial court or the appellate court is the ultimate trier of fact issues in nonjury cases is "'detrimental to the orderly administration of justice, impairs the confidence of litigants and the public in the decisions of the district courts, and multiplies the number of appeals in such cases'" (*id.* at p. 106a).

REASONS FOR GRANTING THE WRIT

The theory of damages set forth by the majority below was erroneous as a matter of law.[9] That fact alone

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[9] The majority attached controlling significance to a 1965 letter in which petitioner offered to settle, under the same terms and conditions as in its two previous transactions with respondent, the one infringement it had detected. Aside from the fact that the two prior transactions were different from each other by several thousands of dollars and involved no price allocation between furnace and license, the settled law is that "* * * a patentee who has attempted to avoid costly and time-consuming litigation by settling for less than a reasonable royalty should not be penalized when an infringer forces full litigation." *Tights, Inc.* v. *Kayser Roth Corp.*, 442 F. Supp. 159, 165 (M.D. N.C. 1977); see also *Rude* v. *Westcott*, 130 U.S. 152, 164 (1889); *Faulkner* v. *Gibbs*, 199 F.2d 635, 638 (9th Cir. 1952). And see *Blonder-Tongue Lab., Inc.* v. *University*

obviously would not warrant plenary review by this Court.

What does warrant review is the increasing tendency of certain Courts of Appeals, as epitomized by the decision below, to overstep the bounds of normal appellate review and to substitute their own findings of fact as to damages for those set forth by the fact finder.

The dissenting judge below noted what was really the onset of the trend, as reflected in an article by Professor Wright published more than twenty years ago.[10] In his more recent, co-authored treatise,[11] Professor Wright deals with both the constitutional problem of reversing jury awards on appeal (not an issue here), and the problem under Rule 52 of reversing awards made by a trial court sitting without a jury. He and his co-author state that this Court has not spoken conclusively on the recent expansion of appellate review in the area of damages. *Id.*, Vol. 11, § 2820, p. 130.

However, they do pinpoint both the origin of the difficulty and the resulting confusion. In 1950, this Court concluded an opinion by stating that it agreed with the Court of Appeals that the amount of damages awarded by the District Court was "not monstrous in the cir-

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of Illinois Found., 402 U.S. 313, 336 n.28 (1971); *Panduit Corp.* v. *Stahlin Bros. Fibre Works, Inc.*, 575 F.2d, 1152, 1158 (6th Cir. 1978). With what faced petitioner, as shown by the record before the Court of Appeals (229a-232a), this letter and the preceding discussion between petitioner and respondent constituted *anything but* a "willing seller-willing buyer" agreement.

[10] Wright, *The Doubtful Omniscience of Appellate Courts*, 41 Minn. L. Rev. 751 (1957).

[11] Wright & Miller, Federal Practice and Procedure: Civil, Vol. 9, §§ 2577, 2579 (1971), and Vol. 11, § 2820, and 1979 Pocket Parts for use during 1980.

cumstances of this case." [12] This single sentence, in the words of Wright and Miller, "was very influential in persuading a number of the circuits that there is power [on appeal] to review the size of a verdict." *Id.*

However, in two cases five years later, this Court reversed outright the attempts by Courts of Appeals to review and reduce damage awards. While the *Neese* case [13] involved a jury verdict, and the Court found it unnecessary to reach the Seventh Amendment issue because the action of the trial court in refusing a new trial "was not without support in the record," the other case, *Snyder*,[14] was a non-jury proceeding in which the damages had been set by the trial court. In the latter case this Court simply reversed the Court of Appeals and reinstated the District Court's judgment without explanation.

The Fourth Circuit, citing both *Neese* and *Snyder*, subsequently concluded that the trial court has a much greater discretion in regard to damages than do appellate courts, and that appellate intervention is limited to situations in which verdicts are "monstrous." *Simmons* v. *Avisco, Local 713*, 350 F.2d 1012, 1019-20 (1965). And in an earlier opinion than the one below, the Third Circuit, again citing *Neese* and *Snyder*, said: "The sum of the matter is that we could not lawfully disturb this verdict if we would, and we would not, if we could." *Lebeck* v. *William A. Jarvis, Inc.*, 250 F.2d 285, 288 (1957).

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[12] *Affolder* v. *New York, C. & St. L. R.R.*, 339 U.S. 96, 101 (1950). The jury had set the damages in that case at $95,000, and the District Court had remitted this sum to $80,000. By reversing the Court of Appeals on the merits, this Court in effect reinstituted the judgment by the trial court, which was in the amount of $80,000.

[13] *Neese* v. *Southern Ry. Co.*, 350 U.S. 77 (1955).

[14] *Snyder* v. *United States*, 350 U.S. 906 (1955), *reversing United States* v. *Guyer*, 218 F.2d 266 (4th Cir. 1954), and reinstating judgment in *Snyder* v. *United States*, 118 F. Supp. 585 (D. Md. 1953).

The most recent expression by this Court came in 1968 in *Grunenthal* v. *Long Island R.R.*, 393 U.S. 156, 158, where it said that, "assuming, *without deciding*, that the Court of Appeals was empowered to review the denial [of a new trial] and invoked the correct standard of review, the action of the trial judge, as we view the evidence, should not have been disturbed" (emphasis added). Thus, conclude Wright and Miller, "the question of the power of appellate review remains open in the Supreme Court * * *." Vol. 11, § 2820, p. 131.

The net result is that most Courts of Appeals have assumed at least some authority to review damage awards, but they have on the whole been reluctant to reverse such awards unless they find them—in addition to being clearly erroneous—"outrageously excessive," "inordinate," "monstrous," or the like.[15] Put another way, some Courts of Appeals have concluded that they lack power to disturb awards of damages supported by any evidence.[16]

A few courts have said—without citation to any opinion of this Court—that the standard of appellate review of a damage decision by a court sitting without a jury is "less exacting" than review of an alleged abuse of the trial court's discretion in adjudicating motions for new trials following jury verdicts. *E.g.*, *Felder* v. *United*

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[15] See *Grunenthal* v. *Long Island R.R.*, *supra*, 393 U.S. at 159 n.4, and cases collected at Wright & Miller, Vol. 11 § 2820 n.97 (including 1979 Pocket Part). For a recent formulation of the issue, see *Huff* v. *White Motor Corp.*, 609 F.2d 286, 295-297 (7th Cir. 1979). Even where a judicial "shock" test is used, it has often met with widely disparate reactions. *Cf.* the majority and dissenting opinions in *O'Gee* v. *Dobbs Houses, Inc.*, 570 F.2d 1084 (2d Cir. 1978).

[16] See, *e.g.*, *Gibbs* v. *United States*, 599 F.2d 36, 39 (2d Cir. 1979); *Panger* v. *Duluth, W.&P. R.R.*, 490 F.2d 1112, 1118 (8th Cir. 1974); *Brewer* v. *Uniroyal, Inc.*, 498 F.2d 973, 977-978 (6th Cir. 1974); *West* v. *Richmond, F.&P. R.R.*, 528 F.2d 290, 291-292 (4th Cir. 1975).

States, 543 F.2d 657, 664 (9th Cir. 1976). An argument can be made that a trial judge who has denied a motion for a new trial by finding that the verdict is not against the weight of the evidence has performed a task entitled to no greater weight than the trial judge who has sifted and analyzed all of the facts and himself decided what the damage award should be. See *Bridges* v. *Groendyke Transport, Inc.*, 553 F.2d 877, 880 (5th Cir. 1977). Be that as it may, to allow virtually unlimited appellate review in either type of case would mean that the verdict is to be decided by judges who were never in the courtroom where the relevant evidence on damages was seen and heard.

Whether the standard in the two types of cases is the same or different, Professor Wright in still another treatise has summed up what the law *should* be, and why, when an appellate court is faced with fact finding by a trial court sitting without a jury:

> No matter what the nature of the evidence or the basis of the finding, an appellate court may set it aside *only where it is convinced that the finding is clearly erroneous*, [17] and it must be especially reluctant so to regard the finding below where it rested, in part, on the opportunity of the trial judge to observe the demeanor of the witnesses. Such a construction is required by the language of the rule itself, by the Committee Notes to the rule, and by the clear and consistent rulings to this effect of the Supreme Court. It is required even more clearly by the essential nature of trial courts as distinguished from appellate courts. Even in instances where an appellate court is in as good a position to decide as the trial court, it should not disregard the trial court's finding, *for to do so impairs confidence in the trial courts and multiplies appeals with attendant*

[17] As defined in *United States* v. *United States Gypsum Co.*, 333 U.S. 364, 395 (1948).

expense and delay. [Wright, *Law of Federal Courts* (3d Ed. 1976), § 96, p. 480; emphasis added; citations omitted.]

Despite this clear statement, the trend toward greater appellate intrusion into the trier-of-fact's arena continues.[18]

In the instant case, the refusal to follow the findings of Judge Fullam was particularly egregious because:

(a) The Court of Appeals in *Trio Process* III had tacitly approved the very theory which the same court (though with partially different panels [19]) then jettisoned in *Trio Process* IV.

(b) Judge Fullam's findings were clearly and without question supported by the record before the Court of Appeals,[20] a copy of which is being lodged with the Clerk of this Court.

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[18] In addition to the two Third Circuit cases cited by Judge Aldisert, see, *e.g.*, *O'Gee* v. *Dobbs Houses, Inc., supra,* (with dissent on this issue); *Felder* v. *United States, supra* (the Court of Appeals itself recalculated damages previously found by the District Court sitting without a jury); *Dullard* v. *The Berkeley Assoc. Co.,* 606 F.2d 890 (2d Cir. 1979); *Sauers* v. *Alaska Barge & Transport, Inc.,* 600 F.2d 238, 244-247 (9th Cir. 1979) (the appellate court reevaluated evidence which was before the trial court sitting without a jury and readjusted damages accordingly); *Ridgway* v. *United Hospitals—Miller Div.,* 563 F.2d 923, 927-928 (8th Cir. 1977) (award by District Court without a jury "drastically" reduced after reevaluation by Court of Appeals, over dissent on this issue). In the two cases cited by Judge Aldisert, he himself dissented in one, and Judge Gibbons dissented in the other—both on the ground that the reasons and findings set forth by the fact finders were legally sufficient.

[19] *Trio Process* III was decided by Judges Van Dusen, Adams and Rosenn, while *Trio Process* IV was decided by Judges Aldisert, Rosenn and Garth, with Judge Aldisert dissenting.

[20] *E.g.*, "(a) *a reduction in labor costs*";—396a-410a; 524a-528a; 1093a-1094a; *cf.* 357a-361a, 917a-919a, 1099a-1100a n.8 (a reduction of $52,791 per furnace per year); "(b) *an increased recovery of copper from the scrap wire*";—614a, 892a, 894a, 895a, 201a, 977a-

(c) The Master had based his factual conclusions in major part upon his eye-witness appraisal of the testimony of a number of witnesses.[21] The District Court adopted those findings. See Rules 52(a) and 53(e)(2); *Adamson* v. *Gilliland*, 242 U.S. 350, 353 (1917);[22] *Ferroline Corp* v. *General Aniline & Film Corp.*, 207 F.2d 912, 920 (7th Cir. 1953).

(d) Judge Fullam and the Master were in agreement on the facts supporting the award after more than a year of hearings and detailed findings by both of them. See *Crawford* v. *Neal*, 144 U.S. 585, 599-601 (1892); *Sanitary Farms Dairies, Inc.* v. *Gammel*, 195 F.2d 106, 118 (8th Cir. 1952).

(e) To the extent that the District Court was unable to assign a precise dollar figure to *all* of the benefits accruing to respondent from its infringing use, that fault lay directly in *respondent's* hands, because of the inadequate way it kept its books (App. G, p. 81a).

979a, 998a, 1047a, 1095a n.4 (some 400 pounds of copper saved per furnace per day with 7.5 tons gross input and 10,000 lb. copper output); "(c) *lower fuel consumption per ton of processed material*";—419a-423a (5.5 gallons per hour vs. 26 g.p.h., equivalent to saving of 45,000 gallons of propane per furnace per year of 250 9-hour days); "(d) *the ability to attract more electrical scrap for processing by advertising the advantages of plaintiff's process*"; 201a-203a; 892a, 894a, 895a, 1053a, f.f. 68 & 69; see also "*It should be noted that defendant was clearly aware of these benefits when it commenced infringement of plaintiff's patent since it had previously used plaintiff's process under two properly purchased licenses.*"—192a; 62a-63a, 1047a, f.f. 48 & 49, 1052a, f.f. 63.

[21] See n.20, *supra*, and the record before the Court of Appeals at 971a, 975a, 985a-986a, 989a, 996a, 998a-999a.

[22] "* * * [T]he case is pre-eminently one for the application of the practical rule that so far as the finding of the *master* or judge who saw the witnesses 'depends upon conflicting testimony or upon the credibility of witnesses, or so far as there is any testimony consistent with the finding, it must be treated as *unassailable*'" (emphasis added).

(f) The Court of Appeals failed to find Judge Fullam's findings clearly erroneous, as specifically required by Rule 52(a).

(g) The Court of Appeals, in setting the license fee which it thought petitioner and respondent *would have* reached, included as its major indicia the four licenses which had been negotiated before any patent had been issued. The parties to these transactions could hardly have been agreeing on the license value of a *patent property*, for none existed. See *Georgia-Pacific Corp.*, *supra*, 318 F. Supp. at 1121.

Perhaps most significantly, however, the Court of Appeals ignored the factors under the *Georgia-Pacific* doctrine (see n.6, *supra*) which the District Court found to be most relevant and instead decided the issue of damages on the basis of the *one* factor which the District Court had found to be most inappropriate to this case—namely, petitioner's prior licenses. It therefore not only ignored the District Court's findings but substituted its own as a fact finder acting *de novo*.

We respectfully submit that if this is the role Courts of Appeals are meant to play in regard to damages under Rule 52(a), that should be specifically spelled out by this Court. To date, the lower courts have received what can only be described as conflicting signals from this Court. They deserve more precise direction in this area, because without it, there will continue to be multiple appeals and attendant expense and delay. See *Law of Federal Courts*, *supra*, at § 96, p. 480; Judge Aldisert's dissent, App. H., at p. 106a.

If they do not receive direction, we may well see other cases in which damages are reduced after fifteen years and four appeals from more than $5,000,000 to $500,-

000,[23] despite a positive determination of willful—and even contemptuous—infringement of a valid patent.[24] Such results not only will create the delays, expense and confusion pointed out by the authorities but will tend to defeat the constitutional purpose of the patent system. Art. I. Sect. VIII, Cl. 8 of the Constitution.

CONCLUSION

For all of the above reasons, we respectfully suggest that certiorari be granted, that the judgment of the Court of Appeals be reversed, and that Judge Fullam's order of October 12, 1978 (App. G, p. 84a) be reinstated.

Respectfully submitted,

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[23] The new tack taken by the Court of Appeals would have been illegal regardless of when it was taken. But there is a further point. What with the ravages of inflation, the net result of the failure of the court to act as it has now done four years earlier, when it had a chance to do so but chose not to, is to reduce even further the damages assessed against this willful patent infringer.

[24] The Master found, and the District Court agreed, that the record demonstrated "a studied effort on the part of [respondent] to derive the utmost advantage from the patented process which was willful, conscious, deliberate, intentional, aggressive, and in bad faith" (record before the Court of Appeals at 1011a).